

Application of CUC, Inc. for Adjustment)
of Rates and Charges) **SURREBUTTAL TESTIMONY OF**
) **PATRICK W. PARKINSON**

17 A. Yes. These fees have been collected for many years and unless CUC wants to refund all
18 the fees collected over the years it should be in their tariff. The fact that they collected

1 \$22,501 in the 2018 test year indicates a significant amount of revenue that they would
2 then have their water and sewer customers make up if this fee is eliminated. The water
3 and sewer customers already pay extremely high fees. This should not be made an
4 additional burden on them.

5 **Q. How do you respond to Susan Mikell's Rebuttal Testimony regarding CUC's test**
6 **year revenues?**

7 A. I stand by my original (direct) testimony. The application states that "CUC, Inc. has
8 experienced a marked decrease in revenues." This is not accurate. As shown in Exhibit D
9 of the Company's Application, revenue has increased from \$1,135,448 in 2015 to
10 \$1,277,065 in 2018 by \$141,617 – which is a 12.5% increase.

11 **Q. How do you respond to Susan Mikell's Rebuttal Testimony about the company's**
12 **test year expenses?**

13 A. I stand by my original testimony that the Company has a problem controlling its
14 expenses, particularly its salaries and benefits expenses. Susan Mikell agrees with me that
15 expenses have grown by 25% from \$964,764 (2013 test year, to \$1,206,541 (2018 test
16 year). Where we disagree is the fact that she is satisfied with this expense growth and I
17 am not. CUC needs to identify cost saving opportunities and aggressively implement
18 them.

19 **Q. How do you respond to Susan Mikell's Rebuttal Testimony about the growth in the**
20 **company's employee salaries?**

21 A. I stand by my original testimony that employee salaries increased from \$174,035 in 2013
22 to \$269,582 in 2018, an increase of \$95,547 or 54.9%. Susan Mikell pointed out herself
23 in her rebuttal testimony that after adjustments salaries have "an annual growth rate of

1 5.9%” This type of salary growth is excessive and should not be paid for by CUC’s
2 customers.

3 **Q. How do you respond to Susan Mikell’s Rebuttal Testimony about the growth in**
4 **employee benefits?**

5 A. I stand by my original testimony that employee benefits increased from \$162,072 (2014)
6 to \$204,458 (2018) an increase of \$42,416 or 26.2%. Susan Mikell’s own rebuttal
7 testimony shows that an operator paid \$29,927 received a 401-K contribution of \$2,608
8 from the Company. This is 8.7% which is an extremely generous 401-K program that the
9 CUC customers have to pay for.

10 **Q. How do you respond to Susan Mikell’s Rebuttal Testimony regarding CUC having**
11 **too many employees?**

12 A. I stand by my original testimony that CUC has 9 employees now versus 8 employees in
13 2014. Susan Mikell agrees with me on this matter but states that “two office assistants
14 who are learning the business, so that there is no lapse in the company being managed, in
15 the event something happens to the officers”. In 2014 when there was one office assistant
16 she stated that office assistant was “learning the business”. It seems to me that five years
17 is an exceedingly long training period.

18 **Q. How do you respond to Susan Mikell’s Rebuttal Testimony regarding staffing**
19 **recommendations for CUC?**

20 A. I stand by my original testimony that CUC should eliminate the Florence office and
21 conduct all activities on Callawassie Island and Spring Island. My testimony outlined
22 how \$328,879 in expenses can be eliminated with the closure of the Florence office being
23 a major part of that. The amount of work performed in the Florence office- where the

1 Company currently employs four people including two officers- is so minimal it could be
2 completed by one person in less than an eight-hour day. I can say this from the personal
3 experience of being Executive Director of the Middletown Sewage Authority for 15 years
4 prior to my retirement.

5 **Q. How do you respond to Susan Mikell's Rebuttal Testimony describing the Florence**
6 **office?**

7 A. I was denied my request to visit the office to understand the work performed there. They
8 were obviously embarrassed to have me visit the office because of the minimal work
9 performed there! The real administrative work is done in the Callawassie Island office
10 where billings, collection, and customer communication is conducted.

11 **Q. How do you respond to Susan Mikell's Rebuttal Testimony regarding the**
12 **recommendation that CUC require its employees to contribute 28% of the cost of**
13 **their health insurance premiums?**

14 A. I stand by my original testimony. Employee contributions toward their health insurance
15 premiums is normal practice of companies in the United States with a 28% contribution
16 rate being the average. Susan Mikell in her own rebuttal testimony pointed out CUC
17 spent \$163,476 for health insurance for 8 employees. Some employees' premiums were
18 above \$31,000 with no contribution from the employee-- expenses which CUC customers
19 must pay for. This type of practice is a significant reason why CUC's rates are so high!

20 **Q. How do you respond to Susan Mikell's Rebuttal Testimony regarding an electronic**
21 **payment system reducing CUC's expenses?**

22 A. I stand by original testimony that this is a good idea and I am glad that Susan Mikell in
23 her rebuttal testimony agreed with me and is planning to pursue this.

1 **Q. How do you respond to Susan Mikell's rebuttal testimony that the rate comparison**
 2 **information presented in Exhibit 1 of my Direct Testimony?**

3 A. I stand by my original testimony regarding this exhibit which represents a typical CUC
 4 customer with the following monthly usage:

5 Residential Water 4,481 gallons/month

6 Irrigation Water 6,152 gallons/month

7 Sewer 4,481 gallons/month

8 Susan Mikell's rebuttal testimony that an average customer uses 3,202 gallons per month
 9 of water is inaccurate. The CUC application clearly shows that during the 2018 test year
 10 customers consumed 81,271,830 gallons of water which was distributed to 817 customers --an
 11 average of 9,948 gallons per month. This is very close to the information used in the exhibit
 12 presented in my original testimony.

13 Susan Mikell's rebuttal testimony even pointed out that while she did not agree with my
 14 exhibit, CUC customers pay 33% more than Fripp Island which is a similarly sized community.

15 The bottom line is that if CUC's proposed rates are approved CUC's customers will be
 16 paying the highest water and sewer rates in the State of South Carolina (with the possible
 17 exception of Blue Granite Water Company where a comparison is difficult due to different
 18 service districts).

19 **Q. How do you respond to Susan Mikell's Rebuttal Testimony regarding our claim that**
 20 **CUC wants to raise the cost of water purchased from the Beaufort Jasper Water**
 21 **and Sewer Authority to \$6.63 per 1,000 gallons?**

22 A. I stand by my original testimony and Susan Mikell agreed with me in her rebuttal
 23 testimony.

1 **Q. How do you respond to Susan Mikell's Rebuttal Testimony regarding claims that**
2 **customers are not given the names, phone numbers, or email addresses of the**
3 **Florence, South Carolina employees?**

4 A. I stand by my original testimony that this is true. The only Callawassie Island and Spring
5 Island personnel who have Susan Mikell's phone and email address are the General
6 Managers and Property Association Presidents. The remainder of our residents do not
7 even know that the Florence, South Carolina office exists.

8 **Q. Does this conclude your testimony?**

9 A. Yes it does.

